

FILE COPY



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



ARLENE GREEN  
Comptroller

*Internal Audit Section*

Carnahan Courthouse Building  
1114 Market St., Room 608  
St. Louis, Missouri 63101  
(314) 622-4723  
Fax: (314) 613-3004

February 13, 2008

Gary Bess, Director  
Parks, Recreation & Forestry  
5600 Clayton Avenue (In Forest Park)  
St. Louis, MO 63110

RE: Fixed Asset Review of Wohl and 12<sup>th</sup> & Park Community Centers  
(Project # 2007-39)

Dear Mr. Bess:

We have conducted a review of the Recreation Division's Wohl and 12<sup>th</sup> & Park Community Centers Fixed Asset Management System (FAMS) for the period ending April 30, 2007. The objective of this review was to determine whether control procedures are in place to ensure that fixed assets and property control items are properly recorded reported, and safeguarded. Our fieldwork was completed on June 8, 2007. An exit conference to discuss the observations and recommendations noted in the report was held on January 14, 2008. Management responses to the observations noted in the report were received on February 6, 2008 and have been incorporated into the report.

We commend the Recreation Division for their willingness to implement the recordkeeping recommendations we have made. In addition, the Division is currently in the process of developing an automated inventory system to mitigate our concerns.

We have made the following observations and recommendations:

**1. Develop and Maintain Internal Records of Fixed Assets and Property Control Items**

Good management practices require that internal records of fixed assets and Property Control Items are maintained and updated on a regular basis by the department.

We noted the following concerns:

- The 12<sup>th</sup> & Park Center did not have an internal list of its fixed assets and property control items.
- The Wohl Center maintained an internal list of its fixed assets and property control items; however, the list did not include a serial number or asset identification number, the date the asset was purchased or donated, cost basis, and date the internal list was prepared. In addition, we did not find any supporting documentation to ensure the completeness of the Wohl Center's internal list.
- Internal controls were not in place to authorize and approve additions and disposal of fixed assets and property control items.

- There was no segregation of duties between the receipt, the recording and the reporting of fixed assets and property control items.

As a result, we were unable to determine if all fixed assets and property control items owned by the two Community Centers were properly accounted for or the authenticity of internal records.

The lack of internal control of fixed assets and property control items may lead to inadequate control over assets, unreliable data and the exposure to theft or loss of assets.

### **Recommendation**

We recommend that the 12<sup>th</sup> & Park and Wohl Community Centers:

1. Develop detailed internal records of assets and property control items to assist in updating and reconciling items listed on the City's Fixed Asset Property Listing (FAPL).
2. Update their internal control records to include, at a minimum, the following:
  - Description of the asset, including model number
  - Cost basis
  - Serial number
  - FAMS asset number (if applicable)
  - Date the internal listing was prepared.
3. Segregate the internal recording and reporting of fixed assets and property control items.
4. Properly authorize and approve the purchases, additions and disposal of fixed assets and property control items.

### **Management's Responses**

*We agree with the recommendations and will keep an internal record at all Recreation Centers of assets and property control items and monitor annually.*

*The duties will be segregated – Center director will prepare the data and Recreation Administrative staff will monitor/verify. We will follow all city guidelines on property acquisition, etc.*

## **2. Perform and Document an Annual Physical Inventory**

FAMS Policies and Procedures, Section 210.12 requires that an annual physical inventory of fixed assets and property control items be performed by each budgetary level organization in coordination with the FAMS Section.

According to the Director of the 12<sup>th</sup> & Park Community Center, the Recreation Division had not performed an annual physical inventory for at least two (2) years.

Some items listed on the City's FAPL were not located and items within the department were not included on this report as noted below:

Wohl Community Center

- Forty-three (43) of the forty-nine (49) or 88% of the items listed on the internal records at the Wohl Community Center were not listed on the FAPL.
- Six (6) of the twelve (12) or 50% of the items selected from the floor at the Wohl Community Center were not listed on the FAPL.

12<sup>th</sup> & Park Community Center

- There was no internal listing maintained for the assets and property control items at the 12<sup>th</sup> & Park Community Center.

Recommendation

We recommend that the Recreation Division determine the physical existence of each fixed asset and property control item and its location by conducting annual physical inventories at both locations, as prescribed by Section 210.12 of the Fixed Asset Policies and Procedures Manual. In addition, the Recreation Division should prepare and submit the appropriate forms to the FAMS Section to add or remove the assets from the FAPL as needed.

Management's Responses.

*We agree and will continue our annual auditing of the Centers*

3. Report Donated and Retired Fixed Assets to FAMS Coordinator

The City's FAMS Policies and Procedures, Sections 215.02.04 requires the FAMS Coordinator is notified of all fixed asset and property control items donated to the City. Retired or stolen fixed assets and property control items are required to be reported at time of occurrence. However, we found that the following fixed assets were not reported to the FAMS Coordinator and, therefore, not added or removed from the FAPL.

Wohl Community Center – Internal Asset List

- Computer Desk – **Donated**
- 46" General Electric Big Screen Television – **Broken**
- Continental Refrigerator – **Donated**
- Three (3) Wrestling Mats – **Donated**
- Ping Pong Table – **Broken**
- Microwave – **Donated/Stolen**
- Pee Wee Portable Basketball Hoops – **Donated**

12<sup>th</sup> & Park Community Center – Reported by Center Manager during Walk-Thru

- Zenith 27 inch Color Television - **Donated**
- Computer Printer – HP Deskjet 710C – **Donated**
- Magnavox 15” Color Television – **Broken**
- Computer Printer HP Deskjet & 10C – **Donated**

When donated fixed assets or property control items are not recorded when received or properly documented when retired or disposed of, there is an increased risk of:

- unreliability of data and reporting
- inadequate or loss of control
- exposure to loss, theft or misuse
- uneconomical or inefficient use of resources

**Recommendation**

We recommend the Recreation Division FAMS Coordinator or designated employee devise procedures to ensure the Recreation Center personnel complete detailed documentation to record and report the donation and/or retirement of fixed assets and property control items as required in the FAMS Policies and Procedures manual.

*Management's Response*  
*We agree.*

4. **Opportunity to Ensure Fixed Assets are Properly Tagged**

Section 110.34 of the FAMS Policies and Procedures manual requires the City-owned assets and property control items be properly tagged. The Wohl Community Center and the 12<sup>th</sup> & Park Community Center did not have tags on all fixed assets and property control items as required by the FAMS manual and were not aware of the procedures for obtaining tags.

When items are not properly tagged, the Recreation Division may be unable to ensure that all its fixed assets and property control items are accounted for and properly safeguarded. During our testing, we noted the following:

**Wohl Community Center**

- Forty -six (46) out of forty-nine (49) or 94% of the items selected from the FAPL and located on the floor were not tagged.

**12<sup>th</sup> & Park Community Center**

- Twelve (12) of the twelve (12) or 100% of the items selected from the floor were not tagged.

**Recommendation**

We recommend that the Recreation Division obtain the fixed assets tags from the City's Multigraph Section and properly affix them to assets and property control items at the Wohl Community Center and 12<sup>th</sup> & Park Community Center to ensure that all assets are properly tagged as prescribed in the FAMS Policies and Procedures manual.

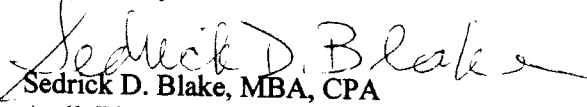
**Management's Response**

*We agree.*

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for Professional Practice of Internal Auditing*.

If you have any questions, please contact me at (314) 622-4723.

Respectfully,

  
Sedrick D. Blake, MBA, CPA  
Audit/Fiscal Executive

cc: Ronald Smith, City Operations Manager, Mayor's Office  
Evelyn Rice Peebles, Commissioner, Recreation Division  
Karen Pecaut, Executive Assistant to Director, Parks, Recreation & Forestry